BOER POWER HOLDINGS LIMITED
博耳電力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1685)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- During the year, the Group prudently observed market trend and at the same time actively responded to market changes and continued developing customer base in key target industries. These measures have brought progressive achievement and facilitated the rapid recovery of the Group's performance and thus realised a turnaround from loss to profit.

- Revenue of the Group was RMB737.1 million, representing a year-on-year increase of RMB108.9 million or 17.3% (2018: RMB628.2 million).

- Gross profit of the Group was RMB213.3 million, representing a year-on-year increase of RMB12.8 million or 6.4% (2018: RMB200.5 million).

- The Group's profit for the year realised a turnaround from loss to profit amounted to RMB5.7 million (2018: loss for the year RMB997.9 million).

- During the year, the Group continued to maintain positive earnings before interest, tax, depreciation and amortisation ("EBITDA") of RMB84.3 million.

- Profit attributable to equity shareholders of the Company was RMB3.5 million (2018: loss attributable to equity shareholders of the Company of RMB958.4 million). Both basic and diluted earnings per share were RMB0.5 cents for the year.

- Having benefited from the refined management and the strict internal control system implemented by the Group on an ongoing basis, the administrative and other expenses of the Group recorded a significant year-on-year reduction, while the ratio of selling and distribution expenses as a percentage of revenue remained stable. Meanwhile, the Group's balances of trade receivables also decreased significantly, while the net borrowings and finance costs both decreased steadily. Furthermore, at the end of the year, the cash and cash equivalents held by the Group had a significant year on-year increase, and the Group had recorded positive operating cash flows for four consecutive years.

The Board of Directors (the "Board") of Boer Power Holdings Limited (the "Company" or "Boer Power") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019** *RMB'000*	2018 *RMB'000*
Revenue	4	**737,128**	628,235
Cost of sales	4	**(523,790)**	(427,695)
Gross profit	4	**213,338**	200,540
Other income	5	**9,273**	24,049
Selling and distribution expenses		**(73,576)**	(62,175)
Administrative and other operating expenses		**(99,613)**	(137,374)
Impairment losses for trade and other receivables		**–**	(942,786)
Profit/(loss) from operations		**49,422**	(917,746)
Finance costs	6(a)	**(42,538)**	(49,182)
Profit/(loss) before taxation	6	**6,884**	(966,928)
Income tax expense	7	**(1,142)**	(30,951)
Profit/(loss) for the year		**5,742**	(997,879)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**(9,580)**	(1,041)
Other comprehensive income for the year		**(9,580)**	(1,041)
Total comprehensive income for the year		**(3,838)**	(998,920)

	Note	2019 RMB'000	2018 RMB'000
Profit/(loss) attributable to:			
Equity shareholders of the Company		**3,480**	(958,429)
Non-controlling interests		**2,262**	(39,450)
Profit/(loss) for the year		**5,742**	(997,879)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(6,100)**	(959,470)
Non-controlling interests		**2,262**	(39,450)
Total comprehensive income for the year		**(3,838)**	(998,920)
Earnings per share			
Basic and diluted (RMB cents)	9	**0.5**	(127.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019
(Expressed in Renminbi)

	Note	**2019**	2018
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**256,438**	305,627
Investment properties		**101,083**	120,575
Intangible assets		**1,997**	2,814
Lease prepayments		**–**	32,433
Interest in an associate		**551**	546
Financial assets at fair value through profit or loss		**10,556**	9,094
Contract costs		**35,099**	–
Construction in progress		**–**	1,795
Deferred tax assets		**198,008**	205,925
		603,732	678,809
Current assets			
Inventories		**128,931**	105,385
Trade and other receivables	10	**593,073**	943,559
Current tax asset		**–**	3,137
Pledged deposits		**152,404**	32,956
Contract costs		**356,392**	20,666
Cash and cash equivalents		**68,879**	9,734
		1,299,679	1,115,437
Current liabilities			
Borrowings	11	**743,839**	638,893
Trade and other payables	12	**511,347**	400,706
Lease liabilities		**1,459**	–
Amounts due to related parties		**17,023**	–
Obligations under finance leases		**–**	27,578
Current tax liabilities		**10,943**	30,740
		1,284,611	1,097,917
Net current assets		**15,068**	17,520
Total assets less current liabilities		**618,800**	696,329

	Note	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Borrowings	11	**–**	56,000
Lease liabilities		**46,755**	–
Amounts due to related parties		**388,311**	384,266
Obligations under finance leases		**–**	65,569
Deferred tax liabilities		**4,925**	1,408
		439,991	507,243
NET ASSETS		**178,809**	189,086
CAPITAL AND RESERVES			
Share capital		**66,010**	66,010
Reserves		**166,928**	172,542
Total equity attributable to equity shareholders of the Company		**232,938**	238,552
Non-controlling interests		**(54,129)**	(49,466)
TOTAL EQUITY		**178,809**	189,086

NOTES

1. GENERAL INFORMATION

Boer Power Holdings Limited (the "Company") was incorporated in the Cayman Islands on 12 February 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the "Group") are principally engaged in design, manufacture and sale of electrical distribution equipment and provision of electrical distribution systems solution services in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

As at 31 December 2019, even though the Group had net current assets of RMB15,068,000, its short term bank borrowings amounted to RMB743,839,000, while the Group maintained its cash and cash equivalents of RMB68,879,000 only. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due. Certain measures have been and are being taken to manage the Group's liquidity needs and to improve its financial position which include, but are not limited to the following:

(i) the controlling shareholders, Mr Qian Yixiang and Ms Jia Lingxia, have undertaken to provide continuing financial support, including not to recall the amounts due to them of RMB388,311,000 until the Group is able to repay its other creditors in the normal course of business;

(ii) the Group has renewed several loan facility agreements with the controlling shareholders and their related parties in 2019 with an effective period of 2-3 years. The loans are non-current, unsecured and non-interest bearing. As at 31 December 2019, the Group's unused loans facilities were RMB741,081,000;

(iii) as at 31 December 2019, the unused bank loans facilities were RMB281,349,000 for providing additional working capital to the Group;

2. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement and going concern assumption (Continued)

(iv) during the year ended 31 December 2019, the Group has renewed its short term bank borrowings of RMB394,313,000 and obtained new borrowings of RMB361,900,000. The Directors of the Company, based on their ongoing discussions with the Group's bankers, expect the Group's bankers to renew the existing bank facilities as they fall due; and

(v) the Group had prepared profit and cash flow forecasts for at least twelve months from the end of reporting period. Based on the forecasts, the Group's operations are expected to maintain positive operating cash flows, taking into account of the impact of social and economic situations during that period.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their net realisable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of the adjustments has not been reflected in the consolidated financial statements.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). These consolidated financial statements are presented in Renminbi ("RMB") because the functional currency of most of the Group's subsidiaries is RMB. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

(d) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and a trust established for the Group's share award scheme.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Except as explained below, the other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use ("ROU") assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group's lease contracts do not contain non-lease components.

B. Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as ROU assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

The Group has elected not to recognise ROU assets and lease liabilities for some short term leases (i.e. leases with lease terms of twelve months or less at the commencement date) and those with remaining terms less than twelve months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognises a ROU asset and a lease liability at the commencement date of a lease.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(a) Impact of the adoption of HKFRS 16 (continued)

B. Accounting as a lessee (continued)

ROU asset

The ROU asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group has elected to present the ROU assets in ‘property, plant and equipment’ applying a cost model. Under the cost model, the Group measures the ROU assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

C. Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Impact of the adoption of HKFRS 16 (continued)

D. Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise the ROU assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17, and on a lease-by-lease basis, to measure the ROU asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019. For all these ROU assets, the Group has adjusted at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise the ROU assets and lease liabilities for leases with term that will end within twelve months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases and (iii) excluded the initial direct costs from measurement of the ROU assets at 1 January 2019.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to apply the modified retrospective approach over the adoption of HKFRS 16, for those finance leases under HKAS 17, the ROU assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Impact of the adoption of HKFRS 16 (continued)

E. Summary of impact of the adoption of HKFRS 16

The Group has applied the modified retrospective approach where the ROU asset is recognised on the date of initial application as an amount equal to the lease liability. Therefore there is no impact on equity at the date of initial application.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

Consolidated statement of financial position as at 1 January 2019	***RMB'000***
Increase in property, plant and equipment	33,794
Decrease in lease prepayments	(32,433)
	1,361
Decrease in obligations under finance leases	(93,147)
Increase in lease liabilities	94,508
	1,361

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application and recognised in the consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitments to lease liabilities	***RMB'000***
Operating lease commitments as of 31 December 2018	2,395
Less:	
Exemption for short term leases	(931)
Operating lease liabilities before discounting as of 31 December 2018	1,464
Effect from discounting at incremental borrowing rate as of 1 January 2019	(103)
Operating lease liabilities recognised as of 1 January 2019	1,361
Add:	
Obligations under finance leases as of 31 December 2018	93,147
Total lease liabilities as of 1 January 2019	94,508

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of consolidated financial position as at 1 January 2019 is 6.89%.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

4. REVENUE AND SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

Segment revenue, expenses, and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment assets excluding deferred tax assets and tax recoverable are managed on a group basis. Segment liabilities excluding deferred tax liabilities and tax payable are managed on a group basis.

The Group has four (2018: four) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Electrical Distribution System Solutions ("EDS Solutions"), which include product line series of electrical distribution system lies between grid and end users to distribute electricity at converted voltage for end users;

– Intelligent Electrical Distribution System Solutions ("iEDS Solutions"), which include product line series of Intelligent Power Grid Solutions and Intelligent Power Distribution Integrated Solutions;

– Energy Efficiency Solutions ("EE Solutions"), which include product line series of Managed and Enhanced EE Solutions and Equipment-enhanced EE Solutions; and

– Components and Spare Parts Business ("CSP Business"), which include components and spare parts for application on electrical distribution equipment or the basic function units of the solutions and sells such components and spare parts to the customers.

4. **REVENUE AND SEGMENT REPORTING (CONTINUED)**

Information is presented on the basis of business segments, segment revenue and results are based on the revenue and gross profits of EDS Solutions, iEDS Solutions, EE Solutions and CSP Business.

	EDS Solutions *RMB'000*	**iEDS Solutions** *RMB'000*	**EE Solutions** *RMB'000*	**CSP Business** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2019					
Revenue					
Timing of revenue recognition					
At a point in time	**785**	**382,352**	**138,695**	**185,160**	**706,992**
Over time	**–**	**–**	**30,136**	**–**	**30,136**
Total	**785**	**382,352**	**168,831**	**185,160**	**737,128**
Cost of sales	**(497)**	**(262,532)**	**(101,893)**	**(158,868)**	**(523,790)**
Gross profit	**288**	**119,820**	**66,938**	**26,292**	**213,338**
Depreciation and amortisation included in cost of sales	**6**	**2,578**	**8,295**	**9,671**	**20,550**
Year ended 31 December 2018					
Revenue					
Timing of revenue recognition					
At a point in time	765	297,520	43,728	192,767	534,780
Over time	–	–	93,455	–	93,455
Total	765	297,520	137,183	192,767	628,235
Cost of sales	(595)	(209,902)	(60,212)	(156,986)	(427,695)
Gross profit	170	87,618	76,971	35,781	200,540
Depreciation and amortisation included in cost of sales	10	2,457	7,549	8,504	18,520

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

The reconciliation of depreciation and amortisation included in cost of sales to consolidated depreciation and amortisation is as follows:

	2019	2018
	RMB'000	*RMB'000*
Cost of sales	**20,550**	18,520
Administrative and other operating expenses	**14,320**	18,422
	34,870	36,942

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as these assets are managed on a group basis and the chief operating decision maker does not use such information to measure the performance of the reportable segments.

No geographical segment analysis is presented as substantially all revenue and gross profit of the Group are attributable to the PRC.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income from financial institutions	**611**	6,884
Other interest income	**–**	1,841
Refund of value added taxes ("VAT")	**1,327**	3,233
Gain on disposal of subsidiaries	**4,029**	–
Change in financial assets at fair value through profit or loss	**1,462**	(1,512)
Share of gain/(loss) of an associate	**5**	(14)
Government grants	**1,082**	9,817
Others	**757**	3,800
	9,273	24,049

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

		2019	2018
		RMB'000	*RMB'000*
(a)	Finance costs:		
	Interest on borrowings	**36,565**	43,081
	Finance charges on lease liabilities	**5,973**	–
	Finance charges on obligation under finance leases	**–**	6,101
		42,538	49,182
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**8,651**	7,382
	Salaries, wages and other benefits	**92,458**	72,941
		101,109	80,323
(c)	Other items:		
	Amortisation of intangible assets	**793**	797
	Amortisation of lease prepayments	**–**	1,373
	Depreciation	**34,077**	34,772
	Auditors' remuneration	**2,200**	2,500
	Impairment losses for trade and other receivables *(note 10(b))*	**–**	942,786
	Short-term lease expenses	**2,841**	–
	Operating lease charges in respect of properties: minimum lease payments	**–**	2,142
	Net (gain)/loss on disposal of property, plant and equipment	**(254)**	5,366
	Net gain on disposal of investment properties	**(350)**	(5,639)
	Net foreign exchange loss	**91**	13,886
	Recognition of impairment loss for investment properties	**–**	4,236
	Cost of inventories#	**515,595**	382,599

Cost of inventories includes RMB63,694,000 (2018: RMB49,782,000) relating to staff costs, depreciation (including depreciation of the ROU assets) and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**1,035**	33,877
(Over)/under-provision in respect of prior years	**(11,327)**	3,368
Deferred tax		
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	41
Origination and reversal of temporary differences		
– Withholding tax	**4,925**	–
– Others	**6,509**	(6,335)
	1,142	30,951

8. DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB3,480,000 (2018: loss attributable to equity shareholders of the Company of RMB958,429,000) and the weighted average of 749,426,000 ordinary shares (2018: 749,426,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**773,769**	773,769
Effect of shares held for share award scheme	**(24,343)**	(24,343)
Weighted average number of ordinary shares at 31 December	**749,426**	749,426

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during each of the year ended 31 December 2019 and 2018, and therefore, diluted earnings per share is the same as the basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables (gross)	**2,366,027**	2,646,058
Less: allowance for impairment losses	**(1,894,734)**	(1,905,641)
Trade receivables (net)	**471,293**	740,417
Bills receivable*	**6,932**	2,594
Prepayments, deposits and other receivables	**114,848**	200,548
Trade and other receivables	**593,073**	943,559

* Bills receivable represent bank acceptance bills in the PRC which are measured at FVOCI.

(a) Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date and net of allowance for impairment losses, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**288,287**	233,053
Over 3 months but within 6 months	**50,205**	85,620
Over 6 months but within 1 year	**35,286**	137,648
Over 1 year	**97,515**	284,096
At 31 December	**471,293**	740,417

The Group generally grants a credit period of 30 days to its customers.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the impairment allowance are as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**1,905,641**	972,331
Impairment losses recognised	**–**	942,786
Uncollectible amounts written off	**(10,907)**	(9,476)
At 31 December	**1,894,734**	1,905,641

11. BORROWINGS

At 31 December 2019, the effective interest rates of the borrowings of the Group were in the range from 2% to 9% per annum (31 December 2018: range from 2% to 9% per annum).

12. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Bills payable	**77,125**	43,225
Trade payables	**342,533**	91,626
Trade and bills payables	**419,658**	134,851
Receipts in advance	**584**	8,468
Other payables and accruals	**91,105**	257,387
	511,347	400,706

All of the trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of trade and bills payables is as follows:

	2019	2018
	RMB'000	*RMB'000*
Due within 1 month or on demand	**304,746**	72,712
Due after 1 month but within 3 months	**46,262**	31,726
Due after 3 months but within 6 months	**68,650**	30,413
	419,658	134,851

13. CONTINGENT LIABILITIES

In November 2017, one customer commenced a legal proceeding against a subsidiary of the Group in respect of the dispute in a contract and claimed compensation for its loss suffered of RMB9,500,000. The Directors of the Company had been advised by its legal counsel that it was not probable that a significant liability would arise. Accordingly, no provision in relation to this claim had been recognised in these consolidated financial statements.

14. EVENT AFTER THE REPORTING DATE

Since the beginning of the year, the widespread COVID-19 epidemic had caused a production halt prior to the resumption of operations of the Group on 12 February 2020 and the production shortfall have had a temporary impact on the Group's overall productivity. In order to mitigate the impact of the epidemic on the Group, the Group actively adjusted its operation plans, through constant communication with suppliers and customers, the Group proactively adjusted the production and delivery schedules to cope with customers' need with a view to minimising related impacts.

Management is of the view that the Group has not been significantly impacted as of the date of this announcement. The Group will continue to pay close attention to the epidemic and adjust its operations plans to minimise the potential adverse impact.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019 prepared by the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2(b) to the consolidated financial statements, which indicates that even though the Group had net current assets of RMB15,068,000 as at 31 December 2019, its short term bank borrowings amounted to RMB743,839,000 while the Group maintained its cash and cash equivalents of RMB68,879,000 only. As stated in note 2(b), these conditions indicate that material uncertainty existed that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the twelve months ended 31 December 2019 ("2019" or the "year"), the gross domestic product ("GDP") in the PRC was expected to reach RMB100 trillion while the GDP per capita, converted at the average exchange rate, broke the US$10,000 threshold which showed a continuous improvement of people's living standards. Since the beginning of this year, under the increasingly complex and severe international environment, the global economic and trade growth has slowed down with a downturn pressure on the PRC economy. However, Chinese economy continued to perform within a reasonable range. Looking forward, the domestic development is expected to encounter crucial strategic opportunities with strong economic tenacity, momentum and potentials which symbolise a positive fundamental trend.

In terms of power industry, with the rapid development of China's power industry, the Chinese power industry has gradually transformed into intelligent development. According to statistics, in 2019, the total electricity consumption of the whole society amounted to 7,225.5 billion KWH, representing a year-on-year increase of 4.5% and the electricity consumption of the tertiary industry was 1,186.3 billion KWH, representing a year-on-year increase of 9.5%. In 2019, a total of RMB485.6 billion was invested in the national grid construction projects. Among them, investment in power grids with 110KV or below accounted for 63.3%, representing a year-on-year increase of 5.9 percentage points. At the same time, in order to accelerate the planning and implementation of smart grids in the Guangdong-Hong Kong-Macao Greater Bay Area, Southern Power Grid plans to invest more than RMB170 billion in the power grids of the Pearl River Delta region from 2018 to 2022.

Integrated information technology into human life and production, global data emerges characteristics of explosive growth with massive collection. The value of data has been increasingly recognised by the state, corporates and general public. As a national strategy, big data has continued to accelerate its development in the country in the past two years and policy system of the big data was basically established and now underwent the implementation stage and even the evaluation and inspection stage. According to China's IDC research, the size of China's IDC market will reach RMB276 billion in 2021, with a compound average annual growth rate of approximately 31% from 2019 to 2021. In the Internet industry, in addition to the increasing demands from leading companies such as Baidu, Alibaba and Tencent, other Internet companies also began to speed up the construction of their own data centers. This will bring greater market opportunities for intelligent power management service enterprises and further drive the Group's sales of "One-stop Data Center Solution". During 2019, China's industrial system has become increasingly sophisticated while the added value in the industrial strategic emerging industries increased by 8.4% over the previous year which is 2.7 percentage points faster than that of industry above large scale. New technological achievements continued to emerge and 5G commercialisation has also accelerated its introduction. In terms of investment, 5G underwent deployment in 2019 which directly drove the investment of operators and thus opening up new potential room of development regarding infrastructure investment. According to statistics, in 2019, the added value of industrial strategic emerging industries and high-tech manufacturing industries increased by 8.8% and 8.4% respectively. Annual income from telecommunications business amounted to RMB1.3 trillion while total telecommunications business volume recorded a year-on-year growth of 18.5% based on the constant price of the previous year.

As for overseas market, the "Belt and Road" initiative has been highly recognised and supported by many countries and international organisations since 2013. With the joint promotion of all parties, the "Belt and Road" initiative has been gradually put into implementation that moved vision to reality. International cooperation regarding power is no doubt an important aspect of the "Belt and Road" construction while Chinese enterprises not only participated in engineering construction and export of technical equipment for the power projects along the "Belt and Road", but also explored overseas market in various approaches such as standard output, project financing, greenfield investment and equity acquisition and therefore achieved fruitful results. Undoubtedly, the "Belt and Road" initiative has created a broader market development platform for intelligent power management systems.

Business Review

During the year, the Group prudently observed market trend and at the same time actively responded to market changes and continued developing customer base in key target industries. These measures have brought progressive achievement and facilitated the rapid recovery of the Group's performance and thus realised a turnaround from loss to profit. During the year, the revenue of the Group was RMB737.1 million, representing a year-on-year increase of 17.3%. Having benefited from the growing revenue, the gross profit of the Group was RMB213.3 million, representing a year-on-year increase of 6.4%, while the profit from operations and profit for the year realised a turnaround from loss to profit amounted to RMB49.4 million and RMB5.7 million respectively. During the year, the Group continued to maintain a positive earnings before interest, tax, depreciation and amortisation ("EBITDA") of RMB84.3 million.

Having benefited from the refined management and the strict internal control system implemented by the Group on an ongoing basis, the administrative and other operating expenses of the Group recorded a significant year-on-year reduction, while the ratio of selling and distribution expenses as a percentage of revenue remained stable. Meanwhile, the Group's balances of trade receivables also decreased significantly, while the net borrowings and finance costs both decreased steadily. Furthermore, at the end of the year, the cash and cash equivalents held by the Group had a significant year-on-year increase, and the Group had recorded positive operating cash flows for four consecutive years. During the year, the business of the Group can be divided into the following four segments:

– Electrical Distribution System Solutions ("EDS Solutions");

– Intelligent Electrical Distribution System Solutions ("iEDS Solutions");

– Energy Efficiency Solutions ("EE Solutions"); and

– Components and Spare Parts Business ("CSP Business").

In recent years, the global application scenarios of Internet of Things have continued to expand with increasing security awareness and are now stepping into a new stage of "Innovative Large-scale Development by Cross-border Integration". Therefore, the application of the Internet of Things trends to openness and scale-up while new technologies such as 5G accelerated the integration to start a new era of "All-encountering Smart Connection". As shown in the statistics, in 2018, the scale of China's Internet of Things ("IoT") industry exceeded RMB1.2 trillion and the revenue of the Internet of Things business increased by 72.9% over the previous year. Market demand for intelligent power management terminal equipment and systems with high security and reliability, real-time monitoring, quasi-load control, big data collection, remote operation and maintenance services and accurate analysis is increasingly growing. Based on modern communication and Internet technology, the Group relies on its own big data platform namely "Cloud Smart" to provide customers with one-stop intelligent power integrated management solutions including products and services for intelligent power distribution, power consumption and energy efficiency management. Products and services include hardware integrated systems, customised operating systems and software as well as online and offline operation and maintenance management. The Group leveraged on its technological advantages to perform uninterrupted monitoring, data collection and post-back and real-time energy efficiency analysis to electrical terminal equipment via Internet so as to secure safe operation of equipment, reduce operating cost and bring real economic efficiency to the customers. With over 35 years of experience in the research and development and manufacturing of intelligent power management systems, the Group consolidated its leading position in the Chinese power distribution market. In recent years, the Group has gradually optimised the power consumption databases of different industries. Combined with years of accumulation of experience in intelligent power management technology, Boer Power strives to design intelligent power management system solutions satisfying power needs from various industries and therefore ensuring the safe and reliable operation and energy efficiency thereof which maximises the economic efficiency of customers.

In the context of the unification of 5G global standards, data centers will also become strategic resources for digital information storage and circulation. The Group has seized the needs of the data center infrastructure construction and continuously optimised and promoted the "One-stop Data Center Solution" by virtue of years of technology experience and continuous core R&D advantages so as to expand its market share on an ongoing basis. The Group always maintains long-term cooperative relationships with leading domestic and foreign data center operators. In addition, Boer Power has established intelligent, energy conserving and highly efficient system solutions, and provided long-term maintenance and consultancy services and products for many Fortune Top 500 companies in the world and domestic and foreign large-scale long-term enterprises and customers. The Group has also maintained good partnerships with different industry-leading enterprises, including Schneider, a global leading infrastructure enterprise engaging in energy management and automation. During the year, the Group collaborated with various leading companies from different industries to provide services for high-quality infrastructure projects worldwide.

In terms of overseas business, the infrastructure development of the regions along the "Belt and Road" is still uneven. Attributable to the giant population base, rapid economic growth and relatively favorable infrastructure environment, the demand for infrastructure construction in the Southeast Asia kept thriving and ranked top for three consecutive years. Driven by the accelerating progress of industrialisation and urbanisation, the demands for the projects for interconnection of infrastructures such as relevant highways, railways, harbors and airports in various countries has increased while the energy industry with power infrastructure construction as its core has also played an important role in promoting the development of international infrastructure. Increase in industrial, commercial and residential electricity consumption and upgrading of electrification construction standards in various countries have effectively stimulated the energy construction needs along the "Belt and Road". In 2019, Chinese enterprises invested US$15.04 billion in non-financial direct investments in the 56 countries along the "Belt and Road". In terms of overseas contracted projects, 6,944 overseas contracted engineering projects were newly entered into by Chinese enterprises in 62 countries along the "Belt and Road", with a total of US$154.89 billion regarding newly signed contracts, representing a year-on-year increase of 23.1%. Revenue amounting to US$97.98 billion was recorded, representing a year-on-year increase of 9.7%. This creates huge potential business opportunities for the Group's intelligent power management products and services. The Group proactively captured the opportunities to speed up its overseas development by expanding its long-term customer base through its 4 overseas branches in Spain, Australia, Indonesia and Mexico. So far, the Group has served customers and projects in over 130 countries and regions worldwide.

In 2019, national infrastructure projects mainly focused on transportation, energy, water conservancy and high technology. By the end of 2019, China owned 39 airports which could cater to tens of millions of passengers while 8 of them were among the top 50 airports in the world, showing a strong development momentum. As of September 2019, 39 cities in China have opened up rail transit system and the operating mileage of these routes was 6,333.3 kilometers. By the end of 2019, the total operating mileage of urban rail transit in the country will reach 6,600 kilometers. With the increase of the total planning and construction mileage of China's urban rail transit, energy consumption has also increased accordingly. In light of increasing popularity of energy conservation in national rail transit, Boer Power always upholds the mission of "practicing efficient and thoughtful energy management to protect and improve the global environment", leverages on its unique patented technology and shows its strong strength in intelligent power management system solutions, energy management and energy efficiency. At the same time, the Group is committed to providing diversified services for various types of infrastructure and municipal construction, including designing power distribution solutions for airports, conference and exhibition centers and wharf engineering as well as offering tailor-made smart solutions for building construction, rail transit and sewage treatment plants.

During the year, Boer Power continued to invest in research and development and optimised the "Cloud Smart" data platform so as to maintain its leading technological advantages in the field of intelligent power management. By improving the electricity consumption databases of different industries, coupled with years of accumulation of experience in the intelligent power management technology solutions, the Group was able to develop power distribution system solutions in response to the power demand of different industries with an aim to satisfy the comprehensive needs of different customers. While ensuring the safe and reliable operation and energy efficiency thereof, the Group can reduce operating costs and maximise real economic efficiency for the customers.

The total revenue of the Group amounted to RMB737.1 million for the year ended 31 December 2019, representing an increase of 17.3% as compared to the same period of 2018. The increase in revenue was mainly attributable to the gradual achievement of the Group regarding key industry expansion and customer base development objective during the year.

The profit attributable to the equity shareholders of the Company amounted to RMB3.5 million for the year ended 31 December 2019 (2018: loss attributable to the equity shareholders of the Company of RMB958.4 million). The increase in profit was mainly attributable to (i) no further provision for impairment loss on trade and other receivables for the year ended 31 December 2019 (2018: RMB942.8 million) was recorded owing to the Group's continuous implementation of strict internal management which resulted in satisfactory progress of repayments from its customers during the year; (ii) improvement in gross profit for the year by 6.4% to RMB213.3 million for the year from RMB200.5 million for the year ended 31 December 2018 due to the increase of revenue; and (iii) reduction in administrative and other operating expenses by 27.5% to RMB99.6 million for the year (2018: RMB137.4 million), which was attributable to the implementation of cost control measures by the Group during the year.

Other income mainly includes interest income from financial institutions, refund of value added taxes ("VAT"), government grants, gain on disposal of subsidiaries and change in financial assets at fair value through profit or loss. Other income decreased from RMB24.0 million for the year ended 31 December 2018 to RMB9.3 million for the year, which was mainly attributable to the decrease in interest income, government grants and refund of VAT, and partially offset by the increase in gain on disposal of subsidiaries and change in financial assets at fair value through profit or loss.

Selling and distribution expenses consist of mainly staff costs, transportation fees, travelling expenses and other miscellaneous expenses. For the year ended 31 December 2019, selling and distribution expenses were RMB73.6 million (2018: RMB62.2 million), representing an increase of RMB11.4 million or 18.3% as compared with the year ended 31 December 2018. The increase in selling and distribution expenses was mainly due to the increase in revenue. Selling and distribution expenses as a percentage of revenue for the year was 10.0% (2018: 9.9%).

For the year ended 31 December 2019, the Group's finance costs were RMB42.5 million (2018: RMB49.2 million). Finance costs include interest on borrowings denominated in RMB and finance charges on lease liabilities. The decrease in finance costs was mainly due to the decrease in average borrowings from RMB801.3 million for 2018 to RMB691.4 million for the year.

For the year ended 31 December 2019, the Group's income tax expense was RMB1.1 million (2018: RMB31.0 million). The effective tax rate was 16.6% for the year, which was lower than the PRC statutory income tax rate of 25% due to the fact that one of our PRC subsidiaries was qualified as High and New Technology Enterprise and entitled to a preferential tax rate of 15%.

As at 31 December 2019, the total assets of the Group were RMB1,903.4 million (31 December 2018: RMB1,794.2 million) and the total liabilities were RMB1,724.6 million (31 December 2018: RMB1,605.2 million). The total equity of the Group amounted to RMB178.8 million (31 December 2018: RMB189.1 million).

Operation and Financial Review

EDS Solutions

Electrical distribution system lies between grid and end users to distribute electricity at converted voltage for end users. Nowadays, the Group's EDS Solutions have generally been replaced by iEDS Solutions.

The total sales of EDS Solutions of the Group for the year ended 31 December 2019 amounted to RMB785,000 (2018: RMB765,000), representing 0.1% (2018: 0.1%) of the Group's total revenue for the year. The gross profit of EDS Solutions segment was RMB288,000 for the year ended 31 December 2019 (2018: RMB170,000).

iEDS Solutions

In addition to EDS Solutions, the Group also provides electrical distribution systems with automation features which link all the electromechanical equipment together for automatic data acquisition and analysis, remote control and automated diagnosis, through which the users can remotely control the related data collected from the electromechanical systems and can be used on the analysis for energy saving solutions. These functions are useful and important to the users who require more stable and safer auto-controlled electrical distribution systems, such as intelligent data centre, telecommunication and medical services industries.

According to the different nature of the users, iEDS Solutions can be further classified into below categories:

– Intelligent Power Grid Solutions: the products and solutions being used in the power grids; and

– Intelligent Power Distribution Integrated Solutions: the products and solutions being used by end users.

The total sales of iEDS Solutions of the Group for the year ended 31 December 2019 were RMB382.4 million (2018: RMB297.5 million), which accounted for 51.9% (2018: 47.4%) of the Group's total revenue for the year. The increase in sales of iEDS Solutions was 28.5% for the year ended 31 December 2019 was mainly driven by the proactive sales tactics which the Group secured multiple large orders in the second half of the year. The gross profit of this business segment was RMB119.8 million (2018: RMB87.6 million), representing an increase of 36.8% as compared to that of 2018.

The gross profit margin of iEDS Solutions increased from 29.4% in 2018 to 31.3% for the year. The increase was mainly due to the Group implemented optimisation of the production process and cost saving which reduced waste and defective products.

EE Solutions

Based on the data collected by the electrical distribution systems using its iEDS Solutions, the Group can analyse the power consumption status of users, and through management and with various consideration in relation to the power source, select the most appropriate power saving solutions and provide equipment and systems to customers that improve energy efficiency and save electricity costs. EE Solutions services include the provision and maintenance of equipment and a number of value-added services and others.

According to the difference in approaches, EE Solutions can be further classified into below categories:

– Managed and Enhanced EE Solutions: the power saving products and solutions the Group provided to end-user customers of power consumption; and

– Equipment-enhanced EE Solutions: the power saving equipment and solutions the Group provided to customers at their power supply end.

The total sales of EE Solutions of the Group for the year ended 31 December 2019 were RMB168.8 million (2018: RMB137.2 million), which accounted for 22.9% (2018: 21.8%) of the Group's total revenue for the year. The increase in the sales of EE Solutions was 23.1% for the year ended 31 December 2019, this was mainly due to the proactive sales tactics which the Group secured multiple large orders in the second half of the year. The gross profit of this business segment was RMB66.9 million (2018: RMB77.0 million), representing a decrease of 13.0% as compared to that of 2018.

During the year, in order to develop customers in new industries, new large-scale and long-term customers, at the same time optimising the recovery cycle of projects, the Group took the initiative to benefit customers and hence resulted in a decrease in the Group's gross profit margin from 56.1% for 2018 to 39.6% for the year.

CSP Business

The Group also manufactures components and spare parts for application on electrical distribution equipment or the basic function units of the solutions and sells such components and spare parts to its customers. Its functions can only be realised through the system or connecting with other hardware.

According to the differences of applications, CSP Business can be further classified into the below categories:

– Special CSP: the custom-made parts ordered by the Group's long-term customers; and

– Standard CSP: the general parts and components being sold by the Group.

The total revenue of CSP Business of the Group for the year ended 31 December 2019 was RMB185.2 million (2018: RMB192.8 million), which accounted for 25.1% (2018: 30.7%) of the Group's total revenue for the year. The decrease in sales of CSP Business of 3.9% for the year ended 31 December 2019 was recorded. The gross profit of CSP Business was RMB26.3 million (2018: RMB35.8 million), representing a decrease of 26.5% as compared to that of 2018.

The gross profit margin of CSP Business decreased from 18.6% for 2018 to 14.2% for the year. The decrease in gross profit margin was a result of the increased cost of materials while selling prices were kept unchanged.

PROSPECT

Since the beginning of the year, the widespread COVID-19 epidemic triggered unprecedented response, control and preventive measures, which has affected the national economy, power demand and progress of various constructions in the short run. Due to Lunar New Year holidays, the first quarter is generally a low season for the Group's industry. However, in order to further mitigate the impact of the epidemic on the Group, the Group also actively adjusted its operation plans. The Group resumed business on 12 February 2020 and had been fully resumed as of the date of this announcement. Meanwhile, through constant communication with suppliers and customers, the Group proactively adjusted production and delivery schedules to cope with customers' need with a view to minimising related impacts.

It was recently proposed at the meeting of Politburo Standing Committee of the Communist Party of China to accelerate the construction of seven new infrastructure segments, namely 5G network, big data center, industrial Internet, high-speed rail and rail transit, artificial intelligence, UHV and new energy vehicles and charging stations. As forecasted by China Academy of Information and Communications Technology, the accumulated investment in 5G network construction will reach RMB1.2 trillion by 2025. Meanwhile, "5G+industrial Internet" will facilitate industrial enterprises to carry out internal network and digital transformation. It is estimated that the investment in network transformation is expected to reach RMB500 billion in the coming 5 years. Moreover, 5G network construction will also drive the application and investment in the upstream and downstream of the industrial chain as well as in various industries. It is expected to drive an accumulated investment of over RMB3.5 trillion by 2025. According to relevant data, the market size of the IDC market in China reached RMB156.08 billion in 2019, up by 27.1% year-on-year, which is beyond the global average (approximately 11%). As such, there is immense growth potential, huge rooms for development and promising industrial prospects. In view of this, the government's approach to more vigorously construct additional major projects related to 5G and data centers in the coming year coincides with the Company's business approach to be committed to developing data center projects, thereby providing a platform for the future development of the Company. In addition, the investment target set at the Meeting on the National Transportation Work in 2020 was RMB800 billion. China State Railway Group Co., Ltd. planned to operate over 4,000 kilometers of new railway routes in China in 2020, among which 2,000 kilometers are high-speed rail. According to market report, by the end of 2019, a total of 40 cities in China have urban rail transit lines with an accumulated operating mileage of 6,730.27 kilometers. While macro economy in China is facing increasing downward pressure, as one of the solid means to stabilise economy, urban transit infrastructure investment is expected to be continuously strengthened. It is anticipated that the annual operating mileage in 2020 will exceed 1,000 kilometers. The Group believes that with a series of new favourable national policies on rail transit infrastructure investment as well as years of extensive project experience and sound reputation in rail transit sector, the Group is expected to strive for more new opportunities.

Looking forward to 2020, despite the temporary economic fluctuation caused by COVID-19 epidemic at the beginning of the year, the Group remains optimistic on continuous growth recovery throughout the year. The Group will continue to maintain its core competitive advantages and seize market opportunities to constantly upgrade and optimise the Intelligent Power Management System so as to improve production and operation efficiency and proactively resume the size of sales. Meanwhile, through refined management, the Group will strictly control production costs to maintain its level of gross profit margin and continuously reduce the proportion of selling and distribution expenses and administrative and other operating expenses to a reasonable level so as to further optimise asset-liability structures and continue to reduce bank borrowings and finance costs, thereby improving the profitability of the Group.

According to a report by Prospects Industry Research Institute, the scale of IoT industry in China is expected to exceed RMB2 trillion by 2020 and IoT connection will reach 7 billion. The relocation of industrial data and the triggering of industrial data from IoT will become two key drivers of boosting data flow in relation to industrial interconnection. With the rapid growth in the demand of the terminal for access to the internet, application of emerging technologies to the internet data centers will be further expanded which, in turn, drives the market demand for services of internet data centers. According to the statistics, by 2020, the size of cloud computing market in China will reach RMB91 billion with a compound annual growth rate of approximately 33%. The internet data center service market of China will usher in a new round of large-scale growth.

Data center develops in parallel with information technology and is closely related to the global development of information technology. With many years of research experience on data center and its leading advantage in the industry, Boer Power has developed the Data House (數聚匯), a data center-related solutions comprising indoor application and container outdoor application. In particular, the container solution significantly facilitates fast deployment and the application of mobile computer rooms. Micro modules can be formed by effectively separating computer rooms where column air conditioners are installed for direct side ventilation to effectively solve the problem of cooling efficiency for high-density cabinets, allowing PUE to reach as low as 1.5. Each micro module is equipped with separate fire, security and dynamic environment monitoring systems, the equipment of which can be fabricated in the factories in general. There are no specific condition requirements for buildings of computer rooms, which has substantially simplified and shortened the construction period. The scale-oriented data center business of the Company has an extensive regional market presence and by fully leveraging the advantages of big data industry, technology and resource-intensive market as well as identifying potential market opportunities, the Company will actively explore the development potential of prospective customers. The Group is confident that through years of management experience of long-term cooperation with leading domestic and overseas data center operators and telecommunications companies, the Group will maintain steady growth in the revenue contribution of data centers.

The policies to support investment in national infrastructure segment were also proposed at the meeting of Politburo Standing Committee of the Communist Party of China recently, aiming to focus on accelerating the construction progress of seven new infrastructure segments, including data center, 5G network, industrial internet and artificial intelligence in the coming year. With its 35 years of extensive experience and technological accumulation in the industry as well as the premium position in the power distribution market in China, Boer Power believes that with a new round of national policies to stabilise domestic investment, the Group will strive for more opportunities for major projects. During the epidemic, as the demand for online working and online entertainment have increased, online business and digitised transformation will become must-contemplated matters for companies. In the mid-to-long term, the trend of "cloud" and digitisation for Chinese enterprises is irreversible. The currently surging demand for online business has set more stringent requirements for communication network and data centers in China and cloud service providers will face increasing pressure on expansion, driving the growth in the demand for bottom resources such as IDC and servers. According to "Economic Contribution of 5G Industry" published by China Academy of Information and Communications Technology, it is anticipated that from 2021 to 2025, the total economic output indirectly driven by 5G commercial use in China will amount to approximately RMB24.8 trillion. In this regard, the government's emphasis on infrastructure investment is expected to generate new opportunities and growth drivers in the business development of the Group's various infrastructure-related segments.

For overseas markets, Southeast Asia and Africa will be the Group's major development areas in the future. With the vigorous advancement of the "Belt and Road", there will be additional demands for construction of related infrastructures such as urbanisation, energy and transportation globally and numerous technological difficulties that need to be solved and optimisation work to be carried out. Boer Power has been focusing on the needs of customers from all walks of life. With constant innovation, research and development of two research and development teams in China and Spain, the systemic solutions can be continuously enhanced in terms of optimising management, improving effectiveness and enhancing safety and reliability for customers. The Group firmly believes that by seizing the huge opportunity of rapid growth in numerous developing countries, making use of business promotion resources and strengthening the sales capability of various branch institutions worldwide, the Group will expand its overseas corporate presence. At the same time, leveraging the sound partnership with long-term customers, the Group will seek co-development opportunities through the global business network of customers, thereby driving the Group's stable growth in revenue. Meanwhile, the Group will be more committed to identifying additional high quality customers and partners in the coming year so as to obtain more opportunities for major project orders.

In 2020, the Group will continue to improve corporate operation efficiency to expand sales volume and enhance profitability. The Group will continue strict internal control system to reduce production costs and other expenses gradually through refined management. The Company will also strengthen its debt recovery ability and continue to recall the accrued historical bad debts through legal means to maintain the receivables and payables at a reasonable level, which further lowers its level of borrowings, optimises asset-liability structures and maintains positive cash flow trend. The Company is confident about its future performance recovery and growth and through Boer Power's tireless efforts, the support from the shareholders and investors will be rewarded.

Liquidity and Financial Resources

The Group's principal financial instruments comprise of cash and cash equivalents, pledged deposits, financial assets at fair value through profit or loss, contract costs, trade and other receivables, trade and other payables, amounts due to related parties, lease liabilities and borrowings. As at 31 December 2019, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB68.9 million (31 December 2018: RMB9.7 million), RMB15.1 million (31 December 2018: RMB17.5 million) and RMB618.8 million (31 December 2018: RMB696.3 million) respectively. As at 31 December 2019, the Group had borrowings amounting to RMB743.8 million (31 December 2018: RMB694.9 million). Borrowings were repayable within one year with effective interest rates ranging from 2% to 9% per annum (31 December 2018: range from 2% to 9% per annum). Most of cash and cash equivalents and borrowings are denominated in RMB. The Group's gearing ratio, which was expressed as a ratio of total borrowings over total equity, was 416.0% as at 31 December 2019 (31 December 2018: 367.5%). The increase in gearing ratio was mainly due to the increase in total borrowings and the decrease in total equity.

Assets/Liabilities Turnover Ratio

The average inventory turnover days decreased by 6 days from 88 days for the year ended 31 December 2018 to 82 days for the year ended 31 December 2019, mainly due to the implementation of tighter control and monitoring over the Group's inventory levels during the year. The average trade receivables turnover days decreased by 470 days from 772 days for the year ended 31 December 2018 to 302 days for the year ended 31 December 2019. This was mainly due to the fact that one of the Group's operating priorities in 2019 was to speed up the settlement of trade receivables and to conduct detailed assessments of the customers' credit status. The average trade payables turnover days increased by 3 days from 190 days for the year ended 31 December 2018 to 193 days for the year ended 31 December 2019.

Going Concern Basis

As at 31 December 2019, even though the Group had net current assets of RMB15,068,000, its short term bank borrowings amounted to RMB743,839,000, while the Group maintained its cash and cash equivalents of RMB68.9 million only. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in normal course of business. Details of the going concern basis have been set out in note 2(b) to this announcement.

Contingent Liabilities

Save as disclosed in note 13 to this announcement, as at 31 December 2019, the Group did not have any contingent liabilities.

Financial Management Policies

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the PRC or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had minimal export sales and the impact of foreign currency risk on the Group's total sales is minimal.

Employees and Remuneration Policy

The Group had 892 (31 December 2018: 978) employees as at 31 December 2019. The total staff costs for the year ended 31 December 2019 were RMB101.1 million (2018: RMB80.3 million). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

Principle Risks and Uncertainties

1. *Market risks*

   The Group is exposed to certain market risks such as interest rate risk, credit risk (including the risk to be borne by the Group in the event of default of payment by customers), liquidity risk, etc.

2. *Commercial risks*

   The Group is facing various competition by multinational companies in the same industry, and also finds that an increasing number of domestic competitors enter the high-end markets. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifying its business strategy to tackle other competitors.

3. *Operational risks*

The Group's operations require a certain number of government approvals and are subject to a broad range of laws and regulations governing various matters. In particular, the continuance of the Group's operations depends upon compliance with applicable environmental, health and safety and other regulations. The Group has already employed external legal consultant and business adviser and will ensure the relevant government approvals are obtained when required.

4. *Loss of key individuals or the inability to attract and retain talents*

Lack of appropriately skilled and experienced human resource could result in a delay in achieving the Group's strategic goals. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages, share award scheme and succession planning within the management team.

Compliance with Laws and Regulations

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and other applicable laws and regulations. Based on information available, the directors take the view that during the year ended 31 December 2019, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

DIVIDEND

The forthcoming annual general meeting of the Company will be held on 5 June 2020.

The Board does not recommend the payment of the final dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 1 June 2020 to Friday, 5 June 2020 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Friday, 29 May 2020.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of rewarding participants who have contributed to the Group and encouraging participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The eligible participants of the Share Option Scheme include the Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The Share Option Scheme is valid and effective for a period of ten years commencing from 30 September 2010, after which no further share options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. The share options complying with the provisions of the Listing Rules which are granted during the duration of the Share Option Scheme and those that remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which such share options are granted, notwithstanding the expiry of the Share Option Scheme.

Grant of Options to connected persons or any of their associates

Any grant of options to any Director, Chief Executive or substantial shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of the Company or any of its subsidiaries shall be subject to the prior approval of the Independent Non-executive Directors (excluding Independent Non-executive Directors who are the proposed grantees of the options in question). Where any grant of options to a substantial shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) represent in aggregate over 0.1% of the shares in issue on the date of such grant; and

(ii) have an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million,

such further grant of options shall be subject to prior approval by resolution of the shareholders of the Company (voting by way of poll). The Company shall send a circular to its shareholders in accordance with the Listing Rules and all connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the shareholders.

The Directors may, at their discretion, invite participants to take up options at a price calculated in accordance with the paragraph below. An offer shall remain open for acceptance by the participant concerned for a period of 28 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the option period, after the Share Option Scheme is terminated or after the participant has ceased to be a participant.

An offer is deemed to be accepted when the Company receives from the grantee the offer letter signed by the grantee specifying the number of shares in respect of which the offer is accepted, and a remittance to the Company of HK$1.00 as consideration for the grant of option. Such remittance is not refundable in any circumstances.

The offer shall specify the terms on which the option is granted. Such terms may at the discretion of the Board, include, among other things, (a) the minimum period for which an option must be held before it can be exercised; and/or (b) a performance target that must be reached before the option can be exercised in whole or in part; and (c) any other terms, all of which may be imposed (or not be imposed) either on a case-by-case basis or generally.

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 75,000,000 Shares, representing 10% in nominal amount of the aggregate of shares in issue as at the Listing Date on 20 October 2010 (not taking into account any shares which may be allotted and issued under the Over-allotment Option) (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the rules of the Share Option Scheme, the maximum number of shares issued and to be issued upon exercise of the share options granted to each grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to share options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the shares in issue for the time being.

The Company did not have any outstanding option at the beginning and at the end of the year. During the year ended 31 December 2019, no options have been granted under the Share Option Scheme.

As at the date of this announcement, the total number of shares available for issue pursuant to the Share Option Scheme was 75,000,000, representing about 9.69% of the issued share capital of the Company. The remaining life of the Share Option Scheme was about 6 months.

SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") was approved by the Board on 17 June 2011 (the "Adoption Date"). The purposes of the Share Award Scheme are to recognise the contribution made by certain employees of the Group and to provide eligible employees, being any senior management employee, including without limitation the directors, executives, officers and manager-grade employees, whether full time or part time, of any member of the Group from time to time, save for those excluded employees as determined by the Board or the trustee (as the case may be), with incentives in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group. The Share Award Scheme involves existing shares and the Board hopes to encourage employees of the Group to have, through shares awarded under the Share Award Scheme, a direct financial interest in the long-term success of the Group. The Share Award Scheme operates for 10 years starting from the Adoption Date.

On 30 October 2013, having re-considered the terms of the Share Award Scheme and to recognise the contribution made by employees of the Group at different levels, the Share Award Scheme was amended to the effect that "Employee" means any employee, whether full time or part time and whether becoming the employee of the Company before or after the Adoption Date, of any member of the Group from time to time.

The total number of all the shares purchased by the trustee under the Share Award Scheme must not exceed 10% of the issued shares as at the Adoption Date (being 77,812,500 shares) unless the Board otherwise decides. The maximum number of shares which can be awarded to a selected employee under the Share Award Scheme is limited to 1% of the issued share capital of the Company as at the Adoption Date.

During the year, the Company had not purchased any of the Company's existing shares on the market for the purpose of the Share Award Scheme.

During the year, no shares were granted under the Share Award Scheme.

As at the date of this announcement, the trustee held 24,343,000 shares under the Share Award Scheme, representing about 3.15% of the issued share capital of the Company. The remaining life of the Share Award Scheme was about 1 year and 3 months.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value. Throughout the year under review, the Company has applied the principles of and complied with most of the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules during the year, with the exception of code provision A.2.1 which is explained below. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Qian Yixiang is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of its long-term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. During the year ended 31 December 2019, there were three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers that the Company has achieved balance and provided sufficient protection of its interests. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors of the Company, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the year ended 31 December 2019.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the year ended 31 December 2019.

AUDIT COMMITTEE

As at 31 December 2019, the Audit Committee of the Company (the "Audit Committee") has three members comprising of three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong and Mr. Qu Weimin. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results for the year ended 31 December 2019 of the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.boerpower.com.

The annual report of the Company for year ended 31 December 2019 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

APPRECIATION

The Board of the Company would like to take this opportunity to thank our shareholders and business partners for their continuous support and the fellow Directors and our staff for their dedication and hard work.

By order of the Board
Qian Yixiang
Chairman

Hong Kong, 25 March 2020

As at the date of this announcement, the Directors of the Company are Mr. Qian Yixiang, Ms. Jia Lingxia, Mr. Zha Saibin and Mr. Qian Zhongming as Executive Directors; Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Qu Weimin as Independent Non-executive Directors.